



AN ASSOCIATION OF
MONTANA HEALTH
CARE PROVIDERS

EXHIBIT

DATE

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Skilled Nursing

**Testimony to the Appropriations Joint Human Services Subcommittee
Pertaining to Senior and Long Term Care Services**

MHA, An Association of Montana Health Care Providers represents the interests of our member long term care providers, including nursing facilities, home health agencies and hospice organizations. MHA supports, in part, the Governor's budget proposal. While we support the funding measures put forward, there are emerging issues that we believe require this body to address.

Intergovernmental Transfer Program

The Department proposes to continue to the IGT program to help fund nursing facility and other senior health programs. MHA, as a principle architect and supporter of the IGT program, has long recommended that the IGT program be considered a temporary funding source. We have not, and do not now, support putting IGT funding into the base budget, or to divert the funding to other programs.

We now face a new federal regulation that proposed to limit the State's ability to use funds provided by local government for the purpose of matching federal funds. The regulations go further by proposing to limit Medicaid funding to local government owned facilities to their allowable Medicaid costs. The regulations are subject to a public comment period, but are anticipated to become final regulations on September 1, 2007. Without some modification of the regulation we believe the regulations may impact Montana's IGT program. Some county facilities may no longer be able to participate in funding the IGT program due to cost limits.

Our initial take on the regulations is that Montana's program may survive in some fashion, albeit a smaller program. Until we know the full impact of the new regulations, we believe the Committee should take the following actions:

- Provide a permissive appropriation to the Department to continue the IGT program for the next two years, contingent on meeting the new federal regulations;
- Remove the requirement that counties provide \$1.6 million each year for current program expenditures. A smaller IGT program simply can't meet these funding needs.
- Provide general fund to replace the funds no longer supplied by county government.

Medicaid Provider Rate Adjustments

MHA appreciates that this budget includes a single 2.5% rate increase for the upcoming biennium. The increase is funded by tobacco tax dollars made available to the State due

to the efforts of Alliance for Healthy Montanans. We also support continuing the funding for the direct wage add-on funds approved last session.

The problem facing Medicaid providers is that a 2.5% rate increase just won't cover the increased cost of providing medical care over the next two years. MHA policy holds that Medicaid should pay the full cost of medical care provided to beneficiaries. When a provider does not receive payments adequate to cover their treatment costs they must take one of several actions. They may attempt to absorb the loss from treating Medicaid beneficiaries, limit access to care, or pass those unpaid costs onto other payers.

Home health and hospice organizations already receive payments that fail to meet their treatment costs. Nursing facilities have worked for the past several sessions to use IGT and provider use fees to bolster Medicaid payments, coming much closer to covering treatment costs. But nursing homes face a very difficult time making up for unpaid costs. First, Medicaid accounts for about 60% of the nursing facility residents. Government expectations, expressed through the regulations imposed on providers, demand improving the quality of care. A facility can't be expected to absorb the costs by reducing staff, food quality or other services. Nor can a facility be expected to close its doors to Medicaid beneficiaries. Finally, nursing facilities just don't have the ability to pass unpaid costs onto the small number of private pay residents.

For this reason, MHA recommends that the legislature approve a 3.5% provider rate hike for each of the next two years.

Home and Community Based Waiver Expansion

MHA has long supported the home and community based waiver program. We have supported every expansion proposed by the Department. We are pleased to see an additional expansion is proposed for this biennium.

The waiver program provides seniors and other beneficiaries an option to receive their care in their homes. The program also provides an important option for hospitals that must discharge patients that require ongoing medical care, but are not accepted by nursing facilities or other treatment settings.

Where Does the Money Come From?

MHA's recommendations for the Medicaid program, including the Senior and Long Term Care Division, the Health Resources Division and the Addictive and Mental Disease Division programs, all require funds beyond the Department's budget request. In the past several years we have worked to provide the funding sources for the legislature in the form of the IGT program, provider use fees and tobacco settlement and tax funds. We did so because this State faced persistent shortfalls in needed general funds.

The alternative funding has gone a long way to bolster the Medicaid program and relieve the pressure on the general fund. We now face some limits on those alternative funds. MHA recommends that the Committee consider the following funding sources for the Medicaid program:

- Retain any general fund savings from lower than projected utilization of nursing home and other Medicaid services in the base budget.
- There are additional I-149 tobacco funds that could be used to continue to the current wage add-on, and could be tapped to provide current spending. MHA believes that, while sustainability in future years is an issue, using these funds is consistent with the intent of the statute;
- While program expansion is a worthy goal, when adequate funds are not available the Committee may consider delaying program expansion while current program needs are funded;
- MHA would not object to a modest increase in the taxes assessed on alcohol. There is no denying that the State funds a considerable amount of human services due to alcohol and drug abuse. It seems reasonable to suggest additional revenues from this source; and
- General funds.

Thank you for the opportunity to share our comments with this Committee.